

<b>STANDARD PROCEDURE</b>	PAGE: 1 OF 5
ISSUED BY: PROCUREMENT	
EFFECTIVE DATE: 3/5/97	
PROCEDURE # 9.1	
SUBJECT: Personal Service Contracts	

## I. POLICY

In order to comply with the statutory requirements of KRS 45A.690 - 45A.725 and related regulatory requirements, it is the policy of the Kentucky Revenue Cabinet (KRC) to submit all Personal Service Contracts and any attachments referenced therein, to the Finance and Administration Cabinet **through** the KRC's Budget Branch two months prior to the proposed effective date of the contract. KRC personnel must inform the contractor that work should not be performed under a Personal Service Contract until approved by the Finance and Administration Cabinet and that no payment can be made on the Personal Service Contract until the contract is approved by the Legislative Research Commission (LRC).

Further, in order to ensure compliance with the confidentiality/ disclosure requirements of the KRC, all Personal Service Contracts with federal data will be reviewed by the KRC Disclosure Officer prior to submission to the Finance and Administration Cabinet.

## II. PROCEDURES

### A. Preparing a New Personal Service Contract

1. Prepare and file, in advance, a letter of intent to contract;
2. Address the Letter of Intent to the Secretary of Finance from the Secretary of Revenue and submit the Letter of Intent to the Budget Branch for the approval process;
3. Provide adequate notice of the need for the services by issuing a Request for Proposal for Personal Service Contract;
4. Advertise the need for services when the anticipated amount of a contract exceeds \$10,000;
5. Select the Offeror based upon the evaluation factors set forth in the Request for Proposal for Personal Service Contract;
6. Obtain Standard Personal Service Contract, Contract Addendum, Personal Service Contract Proof of Necessity and standard Confidentiality Agreement forms from the Budget Branch;
7. Complete forms thoroughly, and send to the Budget Branch for review. After being approved, the documents will be returned to the originating party for Second Party signatures.
8. Obtain Second Party Signature on Standard Personal Service Contract, Contract Addendum, and Confidentiality Agreement, also have Contract Addendum Notarized by Second Party;
9. Obtain signature of Preparer on Personal Service Contract Proof of Necessity form; and

<b>STANDARD PROCEDURE</b>	PAGE: 2 OF 5
ISSUED BY:       PROCUREMENT	
EFFECTIVE DATE: 3/5/97	
PROCEDURE # 9.1	
SUBJECT:       Personal Service Contracts	

10. Return all completed forms and any attachments referenced therein to the Budget Branch.

**B. Renewing a Personal Service Contract**

1. Prepare and file, in advance, a letter of intent to contract;
2. Address the Letter of Intent to the Secretary of Finance from the Secretary of Revenue and submit the Letter of Intent to the Budget Branch for the approval process;
3. Obtain Standard Personal Service Contract, Contract Addendum, Personal Service Contract Proof of Necessity and Standard Confidentiality Agreement forms from the Budget Branch;
4. Complete forms thoroughly, and send to the Budget Branch for review. After being approved, the documents will be returned to the originating party for Second Party signatures.
5. Obtain Second Party Signature on standard Personal Service Contract, Contract Addendum, and Confidentiality Agreement, also have Contract Addendum Notarized by Second Party;
6. Obtain signature of Preparer on Personal Service Contract Proof of Necessity form; and
7. Return all forms upon completion and any attachments referenced therein to the Budget Branch.

**C. Extending the Time on a Personal Service Contract**

1. Prepare a Letter of Justification for extending the contract period;
2. Address the Letter of Justification to the Secretary of Finance from the Secretary of Revenue and submit Letter of Justification to the Budget Branch for the approval process;
3. Obtain Notice of Extension of Personal Service Contract, Contract Addendum, Personal Service Contract Proof of Necessity and Confidentiality Agreement forms from the Budget Branch
4. Complete forms thoroughly, and send to the Budget Branch for review. After being approved, the documents will be returned to the originating party for Second Party signatures.

<b>STANDARD PROCEDURE</b>	PAGE: 3 OF 5
ISSUED BY: PROCUREMENT	
EFFECTIVE DATE: 3/5/97	
PROCEDURE # 9.1	
SUBJECT: Personal Service Contracts	

5. Obtain Second Party Signature on Notice of Extension of Personal Service Contract, and Contract Addendum, also have Contract Addendum Notarized by Second Party;
6. Obtain signature of Preparer on Personal Service Contract Proof of Necessity form; and
7. Return all forms upon completion and any attachments referenced therein to the Budget Branch.

**D. Amending a Personal Service Contract** (any changes made to an already existing contract)

1. Prepare a Letter of Justification to amend the contract;
2. Address the Letter of Justification to the Secretary of Finance from the Secretary of Revenue and submit Letter of Justification to the Budget Branch for the approval process;
3. Obtain Notice of Amendment of Personal Service Contract;
4. Complete forms thoroughly, and send to the Budget Branch for review. After being approved, the documents will be returned to the originating party for Second Party signatures.
5. Obtain Second Party Signature on Notice of Amendment of Personal Service Contract;
6. Return all forms upon completion and any attachments referenced therein to the Budget Branch; and
7. Budget Branch personnel prepares an Advice of Change In Order Form if there is a change in the original amount of the contract.

### **III. REQUIREMENTS FOR FORMS SUBMITTED**

**A. Request For Proposal [Pursuant to KRS 45A.695(3), (4), & (5)]**

Adequate notice of the need for the services shall be given by the contracting body through a request for proposals. The request for proposals shall:

1. Describe the services required;

<b>STANDARD PROCEDURE</b>	PAGE: 4 OF 5
ISSUED BY: PROCUREMENT	
EFFECTIVE DATE: 3/5/97	
PROCEDURE # 9.1	
SUBJECT: Personal Service Contracts	

2. List the type of information and data required of each offeror; and
3. State the relative importance of particular qualifications.

The head of the contracting body or a designee of the officer may conduct discussions with any offeror who has submitted a proposal to determine the offeror's qualifications for further consideration. Discussions shall not disclose any information derived from proposals submitted by the other offerors.

Award shall be made to the offeror determined to be the best qualified of all offerors based on the evaluation factors set forth in the Request For Proposals, and the negotiation of fair and reasonable compensation.

#### **B. Letter of Intent**

**Prior to being submitted to the Budget Branch, a Letter of Intent shall contain the following:**

1. A description of the needed services;
2. A brief explanation of why the needed service cannot reasonably be provided by an agency of state government or state university; or in the case of a sole source
3. An estimate of the planned amount of work involved;
4. An estimate of the contract cost per fiscal year (including anticipated amendments);
5. The date the contract is to be effective and the ending date of the contract period; and
6. The name and telephone number of a reference person to contact regarding the contract.

#### **IV. APPROVAL OF PERSONAL SERVICE CONTRACTS**

The Secretary of the Finance and Administration Cabinet must have approved the Personal Service Contract and three (3) copies have been filed with the Legislative Research Commission before any one shall begin work on the Personal Service Contract,

<b>STANDARD PROCEDURE</b>	PAGE: 5 OF 5
ISSUED BY: PROCUREMENT	
EFFECTIVE DATE: 3/5/97	
PROCEDURE # 9.1	
SUBJECT: Personal Service Contracts	

unless a governmental emergency has been declared to exist. Also, Legislative Research Commission (LRC) must approve the Personal Service Contract before any payment can be made on the Personal Service Contract. See attached KRS 45A.690 - KRS 45A.725.

Adequate time of two (2) months is required to process the Personal Service Contract.

The LRC meets the second Tuesday of each month. The Personal Service Contract must be on file with LRC two weeks in advance of the scheduled upcoming meeting to be placed on the agenda for review.

#### **V. CERTAIN CONTRACTS BY REVENUE CABINET PROHIBITED (KRS 45A.715)**

The Revenue Cabinet shall not enter into any personal service contract for the collection of revenue for the state or for the prosecution of any action or proceeding for the collection of delinquent taxes owed by a resident and the assessment of omitted property owned by a resident.

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**NO STANDARD PROCEDURE MAY BE REVISED BY ADDENDUM, MEMORANDUM OR ANY OTHER MEANS OTHER THAN THOSE SET OUT IN STANDARD PROCEDURE # 1.1 ENTITLED " CREATION, REVISION AND RESCISSION OF KRC POLICIES AND PROCEDURES"**

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**DISTRIBUTION CODES:**

<b>A. Senior Management</b>	<b>B. Division Directors</b>	<b>C. Branch Managers\Supervisors</b>
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